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# How to improve innovation practice through the rise of job satisfaction?

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## **Preface**

The thesis under discussion has been a unique experience, which allowed me for the first time to completely immerse myself into a topic of my own choice. Knowing that topics such as Human resource management and the relationship between innovation and job satisfaction remain very complex, it allowed me to discover a plethora of knowledge that I am sure will be very useful in my professional life.

First of all, I want to thank my professor Michael Keaney for his continuous feedback for the elaboration of my thesis and his wide knowledge on the topic. Additionally, I want to thank both Professors Daryl Chapman and William Simcoe for his lectures on strategic management, which were very helpful for my research.

Moreover, I want to thank both ESC Rennes School of Business and Helsinki Metropolia University of Applied Sciences for giving me the opportunity of having a double degree, where I was able to learn crucial knowledge, improve my interpersonal skills and discover two different cultures.

Furthermore, I want thank my father Beat Biner for his psychological and economical support during all my studies abroad. Last but not least, I want to thank all my friends during my exchange in Helsinki for their continuous support during my hardest times.

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<p>Nowadays, companies are facing difficult times, where in order to survive they have to adapt their processes to the volatile environment. Therefore, such organisations have to innovate wherever is possible to achieve a sustainable competitive advantage. There exist many kinds of innovations that can be analysed from different perspectives. It is clear, that job satisfaction has a positive influence on how a company is able to innovate. Therefore, this study examines the optimum ways in which we can increase innovation practice in organisations through job satisfaction.</p> <p>In the research under discussion, we will analyse the relationship between “job satisfaction” and “innovation practice”. On one hand, we will determine the factors influencing both innovative behaviour and employees’ job satisfaction. Thereby, we will discuss the determinants of an organisational culture that supports innovative behaviour. Finally, we will analyse two situations that illustrate the influence of job satisfaction into the innovative behaviour of nursing employees.</p> <p>Finally, it is the task of the organisations’ managers to motivate and engage the employees to increase their job satisfaction and by consequence their innovative behaviour. An organisational culture represents the ways that the organisation does things. Therefore, managers must build a culture of purpose, where every employee shares the same values and works towards the same goals of the organisation.</p>	
Keywords	Job satisfaction, Innovation, Customer engagement, leadership

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## **1 Introduction**

Nowadays, Innovation among organisations represents a crucial point for maintaining a sustainable competitive advantage and to insure business survival. In a world of continuous change, where customers are more demanding than ever, expecting better products/services at a lower price, it became essential for such companies to improve their products, processes and services. Therefore, they have to improve both quality and effectiveness, and the best way to do it is by finding a way to perform better, meaning to innovate over their processes.

Furthermore, in such competitive markets, the employees might experience high levels of pressure having a task oriented strategy, which can inhibit innovation. In order to achieve the organisation's goals, managers are looking over different kinds of strategy such as cost leadership, improving quality or differentiate themselves.

In the following research we will analyse how to improve innovation in an organisation through employees' job satisfaction, meaning that we will focus in the optimum ways to motivate employees in order to create an environment that supports innovative behaviour. There are many research studies concerning the influence of job satisfaction among companies, and the different determinants that influence innovation. We will analyse the complete process of an innovation and how we can positively influence it. Thereby, we will try to understand in which way we can increase employees' job satisfaction, by the same determinants that influence innovation.

The employees represent the biggest asset for every company. Therefore the companies must create a culture of purpose, where every employee feels that it has an actual purpose and that he is contributing to a common goal. Such culture has to be built upon mutual trust, where the employees are actively engage and share the same values and mission of the company.

In order to establish an organisational culture that increases innovative behaviour among the employees, we must focus on the appropriate leadership style, reward and recognition. However, organisations are complex and differ from industry and culture. There exist more determinants to take in consideration such as the national culture and other external variables. Therefore, manager always have to adapt such interdependent model that supports innovation.

Nevertheless, we must note that job satisfaction can also inhibit innovative behaviour in some cases. By leading to complacency among employees, there is this possibility where employees feel safe and do not put any extra efforts to achieve the organisation's goals. Therefore, managers have to engage their employees and not just to make them happy.

Finally, the purpose of this research is to discover the possibility of an ideal organisation, where employees are engaged towards the organisation's goals by sharing the same values and thereby supporting an innovative environment. Therefore, with a continuous improvement of their processes, the organisation will achieve a sustainable competitive advantage that represents a key difference between the market leaders and the rest.

## 2 Literature review

In order to understand the influence of job satisfaction, we have to define the term "Innovation". Most of the people think that innovation is simply the fact to invent something completely new which possesses an additional feature that gives added value to the product or process. However, we know that there exist many kinds of innovation and that the process does not always creates something completely new. Therefore an innovation can be simply taking two different concepts, products, ideas and unify them into a new one; for instance, when Steve Jobs, the founder on Apple Inc., invented the Ipod changing the entire music industry by creating an innovative product that was simply a simplification of the Sony's Walkman.

### 2.1 Defining an innovation.

Most of the concepts of innovation belong to Schumpeter (1922; 1939) whereby he defines five different types of innovation: new products, new methods of production, new sources of supply, the exploitation of new markets and new ways to organize business. As the term is vague we will try to simplify the term and focus on the 4P's model of "John Bessant & Joe Tidd". The 4P's model consists in: Product innovation, Process innovation, Position innovation and Paradigm innovation.

*Product innovation:* might be the most commonly known form of innovation and it consists in the creation or improvement of an existing product or service. We should note that not every business can improve product innovation as they do not interfere in the stages of new product development. From the creation of the insight trough the commercialization of the product/service every stage shall be take in consideration in order to create an innovation.

*Process innovation:* focus on the processes by which the products/services are created or delivered. Therefore it consists in the implementation of new or improved ways of production and delivery services. In business, it can be based on the idea to achieve a sustainable competitive advantage, either a diversification or cost leadership strategy. Over the years we have seen how *Process innovation* influences business, for instance the famous term "*Lean manufacturing*" implemented by Toyota, the world's largest automaker, and which consists in incrementing customer value by reducing their seven kinds of waste.



*Position innovation:* involves the current perception that the public has over an existing product/service or process. We have to focus in a specific context in order to change the global perception of a product. The re-positioning of a product/service changes the symbolic perception and thereby the way that the products/services are used, for instance the brand Levi-Strauss was initially marketed as clothes to manual workers and further on repositioned as fashion clothes. Nowadays, Levi-Strauss is one of the most famous jeans manufacturers.

*Paradigm innovation:* is all about the paradigms that people have of an organization; it consists in re-defining the mental models of what the business is about. *Paradigm innovation* is all about finding the gaps and start doing what has never been done before. We must give customers what they need and thereby change their beliefs of what they want. Many companies have successfully applied this innovation such as "Ford" with the model T motor car or the "Southwest" the airline company that introduced the idea of low-cost flights in the 80's.

Furthermore, the term creativity comes along with innovation and as a context specific evaluation its changes from one group to another. In order to evaluate such terms as creativity or innovation we must focus on a certain group, organization or industry (Ford, 1995). In addition, we have to consider the nature of the process that generates a new insight and thereby called creativity. In order to determine the relation between creativity, innovation and job satisfaction, we must understand the process leading to an innovative idea and which are the inputs that can be influenced.

## 2.2 The processes inside an insight.

There is a big difference between creativity and innovation; on one hand, creativity focus on the intellectual process of the idea, thereby it is an internal issue that cannot be measured. On the other hand, innovation is an external issue that can be measured and it consists in the application of such idea into the business (Theodore Levitt, 2002). Therefore, actual business must not only attract, retain and sustain creative employees but they have to implement and support their ideas in order to increase their innovation practices, as Thomas Edison said: "Innovation is 1% inspiration, 99% perspiration".

Moreover, we can describe the process of a thought into 4 different stages: preparation, incubation, illumination and verification (Graham Wallas; 1996). The

Preparation step consists in analysing the situation or problem in "all directions", it is a step of self-conscious research, planning and brain storming. Therefore, it represents an accumulation of intellectual resources in order to solve a specific problem.

The second step "incubation" takes into consideration an unconscious state of mind where we are free of every mental workout. Thereby it allows our brain to assimilate different information in order to solve a problem. On one hand, it can create a positive effect whereby involuntary actions and the famous "combinatory play" of Albert Einstein takes place. The "combinatory play" consists in the assimilation of two completely different kinds of information in order to create something "new". Other works can be related such as the theory of "bisociation" by Arthur Koestler, where he states: "creativity is the combination of elements that don't ordinarily belong together". On the other hand, there exists a negative effect where we are not consciously focus on a specific problem.

The third step "illumination" is where the magic takes place, based on the concept "sudden illumination" (Henry Poincaré; 1910) this step cannot be controlled and can last from one second to a couple of hours. This final flash is called by many the secret of the genius and study by other in order to have a higher control on every step. There are many techniques of producing new ideas, as we can control the different processes in order to manufacture a car, we can control the processes to manufacture a new idea (James Webb Young; 1939). The final stage and so called "verification" stage consists in a conscious effort to validate the information gathered by the unconscious work. Graham Wallas explains in his work that the information gathered in the previous stage represents only the guidelines of the real innovation or solution to the problem. Therefore, it needs to be consciously process and test it in order to achieve an optimum solution. We are here talking about the In-action stage, where the idea needs to be verified and improve in order to put it into effect.

As the mind is a complex tool, there exist many ways to simplify and explain the different processes that occur when creating a new idea. Every step depends on each other, and we need to consider every one of them in order to understand and thereby influence the control that we have over them. Knowing the different stages in the development of a new idea, we have now to consider the different inputs involved in the employees' job satisfaction in order to develop a clear relationship between both concepts (Creativity & Job satisfaction).

### 2.3 Defining job satisfaction.

Job satisfaction represents a determinant factor in the overall performance of a company as the employees represent the most important asset. There are many ways in which we can approach this issue, and many determinants to take into consideration. In the research under discussion we will define such terms as employees' engagement, job satisfaction, organizational culture and culture of purpose (Soulaïma Gourani; 2014). On one hand, there has been many studies that prove the influence of job satisfaction into the company's performance (Riketta; 2002), and into the company's effectiveness (Laschinger; 2001), on the other hand.

We can define "job satisfaction" as an emotional state of mind resulting from an employee job experience. There is a big difference between employees' job satisfaction and employees' engagement, some employees might be happy at work without being completely engaged on behalf of the company (Kevin E Kruse; 2012).

Kevin E. Kruse defines employees' engagement as: "the emotional commitment the employee has to the organization and its goals", meaning that such employees will work not only for their personal motivation but on behalf of the company's goals. As Doug Conant (Campbell's Soup CEO) said: "To win in the marketplace you must first win in the workplace." We can state that job satisfaction does not mean employees' engagement; however, employees' engagement necessarily involves job satisfaction. Many factors such as the organization's environment, diversity and leadership style have a strong influence over the employees' engagement.

### 3 A plethora of factors influencing employees' job satisfaction.

In the first place, we must understand the factors that can impact job satisfaction; thereby the "Job characteristics theory" introduces five different facets to take into account (Hackman & Oldham; 1975).

1. *Skill variety*: Whether the job requires different activities allowing the employees to develop certain variety of skills. Employees that have a higher variety on their day to day activities report higher rates of happiness than employees with routinely jobs.
2. *Task Identity*: Whether the job requires the employee to complete a work piece from beginning to the end with a visible outcome. Workers experience more job satisfaction when they are involved in the whole process, contrary that when they only contribute partially.
3. *Task Significance*: Whereby the job affects other people's life, either internally in the organization or in the external environment. Employees experience more happiness when improving others psychological or physical well-being.
4. *Autonomy*: Whether the job provides the employee with independence to plan their work and determine the procedures in which they will complete the job. Therefore, the employees with high levels of autonomy will have more responsibilities and their final work will totally depend on their own efforts and decisions. In case of success, they will experience higher levels of satisfaction than without such level of autonomy.
5. *Feedback*: whether the employees are provided with clear information about their global performance on the job. Thereby, they will have better knowledge about the impact of their work and will feel more confident. Additionally, they will be able to improve their productivity when needed.

#### 3.1 Intrinsic and Extrinsic motivators.

Furthermore, in the research under discussion we will try to understand motivation and satisfaction in the workplace. There are different motivators for both satisfaction and dissatisfaction, whether intrinsic or extrinsic incentives, we will analyse which kind of motivators will increase employees overall satisfaction and engagement. The "Two-factor theory" tries to explain how the different motivators are related to job satisfaction (Herzberg & Snyderman; 1959). On one hand, intrinsic factors (motivators)

such as achievement, recognition and promotion opportunities make employees want to work by increasing their motivation and satisfaction (Aristovnik & Jaklič; 2013). On the other hand, "Hygiene factors" which are extrinsic to the work such as company policies, pay, supervisory practices will not have an impact on the employees' job satisfaction and motivation (Hackman & Oldham, 1976, p.250-279).

Intrinsic motivators represent the best way to engage employees because it is based on self-desire (Ryan & Deci, 2000, p.68). Employees will seek to complete new challenges and will enjoy the task itself without expecting an external reward such as the salary. Intrinsically motivation increases the employees' overall performance including their capabilities and skills (Wigfield & Perencevich, 2004, p.299–309). Therefore, it is not an easy task, whereby we should relate this theory to the "Job characteristics theory" in order to achieve optimum results. Employees are more likely to be intrinsically motivated if their "Autonomy" levels of work are higher, if they have the critical feedback to provide them with self-efficacy beliefs and if they are motivated to have a positive influence in others' lives.

Nevertheless, extrinsic motivation can be useful to attain goals where intrinsic motivation cannot get (Ryan & Deci, 2000, p.68). Competition represents an extrinsic motivator that sometimes results very effective, whereby the participant will receive a trophy or another expected reward. Therefore, it is proved that people expecting a desirable reward spend less time in their assignments than people with an unexpected reward (Lepper, Greene & Nisbet, 1973, p.129-37). We can finally state that such theories as the "two factors theory" are simplified models that help us understand human behaviour and their motivation factors. However, every human is different, thereby they are not motivate by the same factors and must be analyse specifically. On the other side, we can object that individuals have a bounded rationality and tend to think and in groups that is why such models tend to be correct. Human behaviour is not new and can be predicted, depending on our early education and the information that we have access. Such predictive models should be adapted to different cultures, where their behaviour is different.

After a clear analyse of the different factors influencing the employees' performance and their job satisfaction which is proved to be related (Robbins; 2003), we will explain in which environment can we enhance such factors in order to increase the employees' engagement.

### 3.2 Building a culture of purpose.

In order to engage employees we must create a culture of purpose (Soulaïma Gourani; 2014), an environment where there are no barriers between the management and the employees. We must know the employees' strengths, their ambitions and motivations (Aarts, D; 2014). However, the employees' strength are not always easy to identify, being good at something does not mean that you enjoy doing it. Strengths are qualities that we actually enjoy while exerting them. Therefore, the management team must get to know their employees and enhance their personal growth.

On one hand, it is essential to define the core purpose of the organization in order to promote such purpose among every employee. Such promotion can be achieved by asking the simple question: "why do we exist" (KEEGAN, P; 2014). While creating a culture of purpose the employees' turnover will decrease and thereby the organization will save monetary funds.

Moreover, social media can represent a huge danger for current organizations. Employees' reviews in websites such as "Glassdoor" can either enhance or destroy the reputation of a company. There are many ways to motivate people and it depends on their national cultures (Hofstede, 1980; Trompenaars and Hampden-Turner, 1998). Thereby, we have to focus on one single organization or group at the time.

Nowadays, the spread between personal and professional life is getting smaller whereby employees feel the necessity to integrate both personal and professional life. In a world which never stops, where we are always connected by our smartphones or computers, the employees are continuously working at home and the previous balance work/life cannot be achieve. Therefore, they must integrate both parts to reinforce and enhance each other (Stewart D. Friedman; 2014).

Nevertheless, we must also consider the layout of the organization. On one hand, we know that we will not engage customers by providing them free food and different leisure activities, but by involving them in the core purpose of the organization. On the other hand, we know that in order to increase innovation practice and being more performant we have to put our minds in an unconscious state to process the information and thereby to have an insight. Companies such as "Google" completely understood the benefits of offering many perks to their employees, allowing them to be among the most innovative companies in the world. However, while offering such

perks they are not only making their employees happier but they are making them to feel as at their own home. Therefore, they will be integrating their personal and professional lives.

Moreover, they established their own term of "Googlers" (people that work at google), where their employees feel being part of something big that it making a difference in the world. Other companies are applying the same culture of purpose strategy such as "Bain & company", having the *Bainees* identity and thereby making bigger relations between their employees.

Furthermore, employees' job satisfaction can emerge a risk of complacency that might lead to a stage where the employees do not seek to complete more than what they are asked for. They will have a lack on their motivation, only focusing on their salary and it will be translated by a decrease on their global performance. Therefore, companies shall focus not only in making employees happier but in connecting them to the core beliefs and values of the company. Consequently, the employees' motivation will increase along with their retention on the job and the financial situation of the company.

### 3.3 Diversity as a factor

Moreover, in order to increase innovation in an organization we have to increase the diversity on the workforce. The diversity of a workplace indicates a heterogeneous organization in term of gender, race and ethnicity whereby employees have different qualities and skills that distinguish them from each other (Robbins; 2007). The main argument defending the problematic under discussion is that a more diverse workforce will generate various ideas by having different points of view and thereby they could lead to innovation (Zhao; 2005). However, we must take in consideration that "innovation is only 1% imagination and 99% perspiration" (Page; 2007).

The Organisation for Economic Co-operation and Development (OECD) defines innovation as "the implementation of a new or significantly improved product (goods or services), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations". Innovation can transform a business issue into a huge opportunity; it represents an opportunity to boost economic growth (Page, 2007).

Nowadays, organizations must keep a high level of innovation in order to remain competitive. The ability of an organization to adapt to the market and innovate faster represents a critical competitive advantage as the product life cycle (PLC) of the product is getting shorter. Therefore, in order to achieve such challenges companies are looking beyond usual solutions and trying to develop new management techniques such as the cross functional management tools and thereby has a continuous improvement (Onsman, 2003). Consequently, managers in organisations now consider innovation as a core competency to their businesses.

The problem under discussion has to be now, how much leverage do the management has over innovation and how much is due to the employees in the organisation. If something its truth it is that organisation have to adapt to the new volatile environment and must learn continuously in order to determine the elements that strengthen a team's innovation.

Moreover, there is research that proves that in order to allow an organisation to innovate there has to be the right environment that promotes the ability to learn, adapt and change (Lin, 2001). In addition, as we said before the management team has to listen and encourage such innovative ideas and thereby analyse and proved to be in the specific environment in order to put them in practice. There has been many times when amazing ideas have come along but they are simply not listened by the management team, and therefore the employees will be discouraged to continue with such behaviour. Great teams are defined as a group of people who work together in an optimum way, they have common values such as mutual trust and they combine their strengths in order to achieve greater results (Senge, 2006). Nevertheless, innovation can be also described as a systematic process, implying that you will achieve a unique outcome if the consistent steps are followed (Drucker, 1985). However, this issue seems to be more complex, thereby it does not only depend on the structure and individuals of the respective team. Innovation teams have a shared strategic vision where they combine skills and share their rewards. In order to analyse such innovation teams we must first study the influence of the leadership management styles on their job satisfaction and thereby innovation will increase. There exist a clear relation between the leadership styles and the job satisfaction (Bass, 1990). For instance, an objective leadership style will inhibit a company's innovation because the employees will spend all their energy trying to fulfil the assigned objectives.



### 3.4 The influence of leadership

There is variety of leadership styles and thereby there is not a perfect style that solves every problem as every company is different and we must always adapt ourselves. There are many ways to define the concept of leadership; Leadership is when you develop a vision on others with the necessary strategies in order to produce changes when its need it (Long, & Thean, 2011). It represents one of the most studied and least understood concepts on earth (Burns, 1978).

Over the years, it has attracted many people trying to understand its mysteries and thereby applying its concepts to their businesses. The term leadership can represent different things to different kinds of people over the world. However the vast majority are including term such as: goals, influence and groups (Bryman, 1991). Over the years we have identified transformational and transactional styles that are constituted of different approaches. The main purpose of an "Optimum" leadership style would be to engage people and satisfy everyone's needs. We must divide the organisation's needs in three different parts: individuals, groups and the organisation itself. The term "leadership style" has been defined as a "pattern of behaviours that leaders display during their work with and through others" (Hersey and Blanchard, 1993), and it can be interpreted as behaviour with two different dimensions: task and interpersonal relationships.

In order to determine which kind of leadership is more effective, we have to take in consideration the context of the organisation. Therefore, Fiedler's situational contingency model (Fiedler, 1967) examines both task oriented and relationship oriented leadership depending 3 situational variables (Leader-member relations, Task structure and Position Power).

- Leader-member relations variable refers to the degree of trust and respect between the leader and its followers.
- Task structure variable refers to the degree in which the job assignments are clear and structured for the employees.
- Position power variable refers to the levels of influence that the leader has over power variables such as promotions, hiring/firing personnel and salary increases.

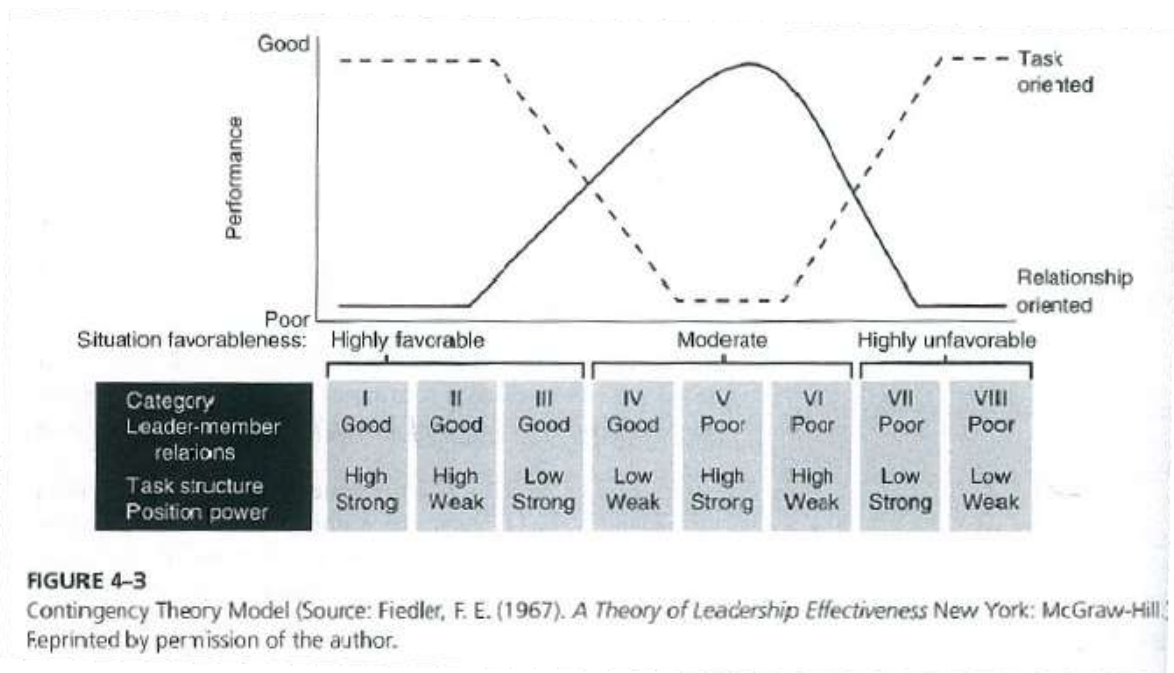
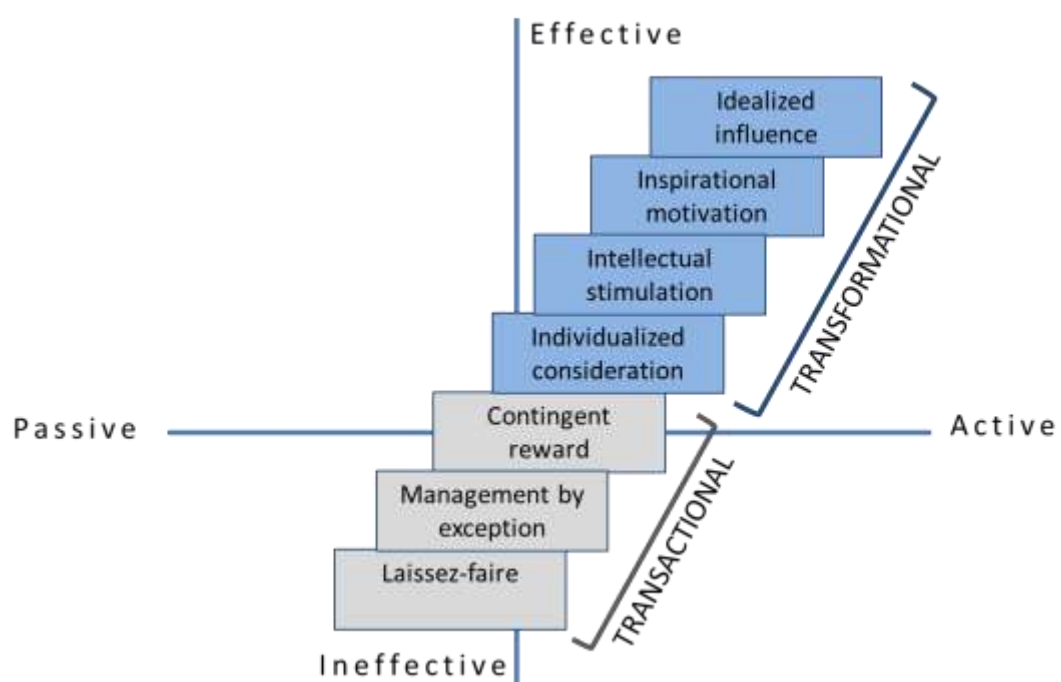


Figure 1: "Contingency Theory Model (Fiedler, 1967).

#### 3.4.1 Transformational and transactional leadership.

We can divide the different leadership styles into two parts: Transformational and Transactional leadership. Each leadership is characterised by different motivators such as intrinsic or extrinsic motivators. Applying the appropriate leadership style into the right environment leads to employee satisfaction (Limsila & Ogunlana, 2007), thereby the employees will work more effectively (Likhitwonnawut, 1996).

Figure 2: Transformational & Transactional Leadership.



On one hand, transformational leadership can be defined as the ability to encourage intellectual stimulation through inspiration (Avolio, 2004). Transformational leaders change the values, beliefs and aspirations of their followers in to their own values. Therefore, the followers will perform the expected job because it is in accordance to their leader's values and not because of an expected reward (MacKenzie et al., 2001). In order to increase employees' job satisfaction, transformational leaders will encourage autonomy and challenging work. Thereby, factors such as loyalty to the organization and job security are disappearing. Extrinsic motivators such as a steady pay and secure benefits are no longer guaranteed for a good job performance. In addition, further studies argue that transactional leadership does not provide job satisfaction (Bass, 1999).

On the other hand, transactional leadership is an exchange-based relationship where self-interest is dominant. Transactional leaders follow the organisations' rules and norms operating within the existent culture (Bass & Avolio, 1993). They will make use of appropriate rewards in order to motivate people (Pearce & Sims, 2002), focusing to accomplished a certain number of designed tasks. Moreover, they will insure a satisfactory performance by promising rewards and thereby having a good relationship with their followers. Furthermore, such leadership style has a great focus on the exchanges between the leader and the follower, where the followers are expected to carry out their duties and act according to their instructions. Transactional leadership is very effective in highly hierarchical organisations, where leader-member relations are good and the task structure position power is high (Fiedler, 1967).

Finally, we can state that there is not a unique and perfect leadership style; knowing that every organisation is different and there are some variables that we cannot control such as the culture, we have to adapt the leadership style in order to obtain the optimum outcomes. However, we know that intrinsic motivators and thereby a transformational leadership style encourage employees' engagement and by consequence the rise of innovation in the organisation. Furthermore, we will analyse the terms of "organisational culture", and how to support creativity and innovation in the organisations.

#### **4 Organisational culture, the support of innovative behaviour.**

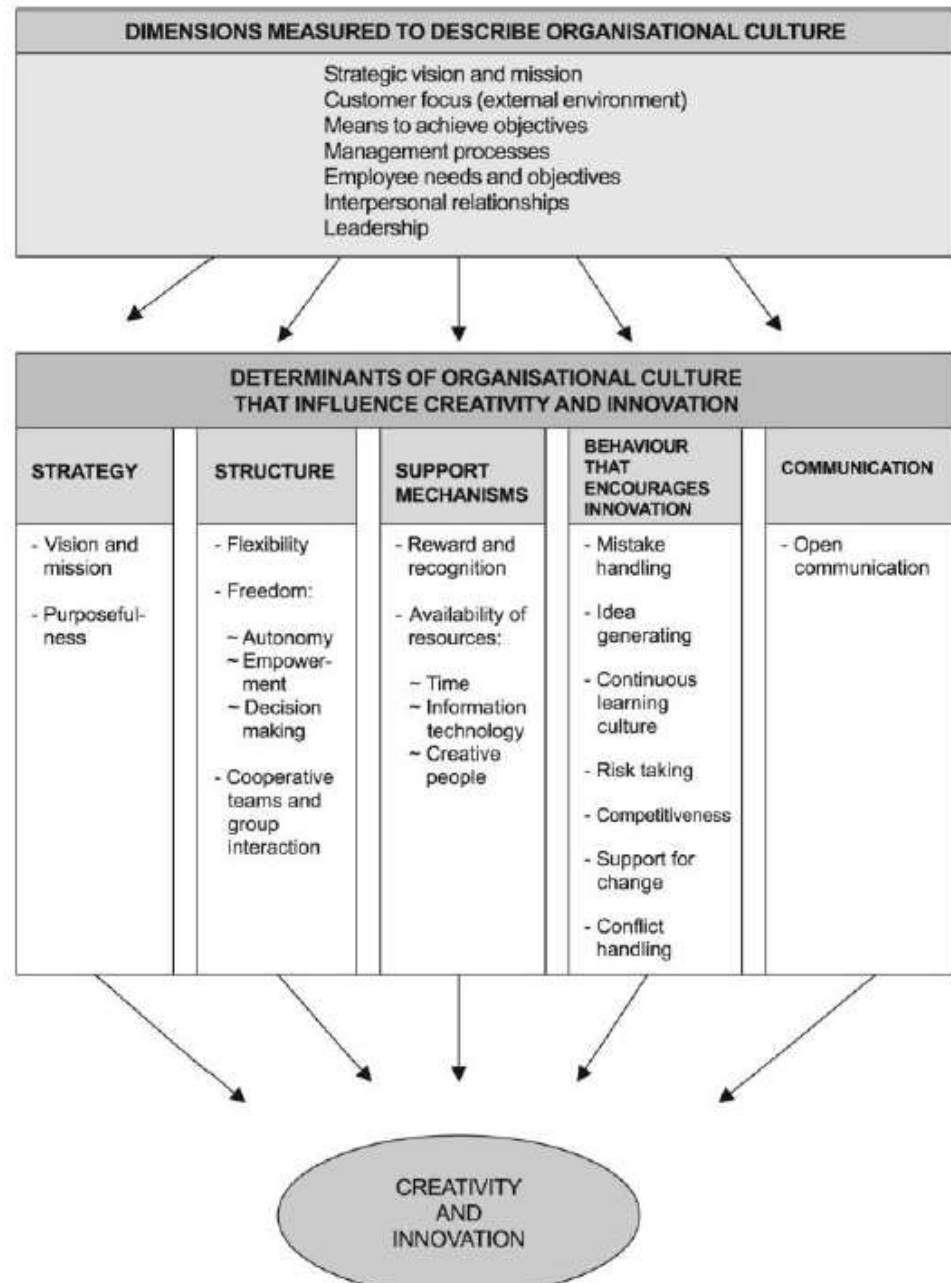
The following part will focus on the relationship between innovation and culture in the organisations. In addition, we will discuss the five different determinants (strategy, structure, support mechanisms, behaviour encouraging innovation and open communication) of "organisational culture" that support both creativity and innovation (Martins & Terblanche, 2003, p.64-74).

Innovation has a crucial role in the survival process of a company and both managers and leaders must react and establish an organisational culture that support those behaviours that enhance it. Therefore, they are trying to create an institutional framework that stimulates innovation in the organisation. However, we must also take into account that such organisational culture may lead to a conflict situation of chaos.

First of all, "organisational culture" can be defined as "the way we do things here" (Lundy & Cowling, 1996). However, the problematic here is more complex, the term "organisational culture" refers to the values and beliefs that are shared by the employees of an organisation. Those values and beliefs are a set of basic and unconscious assumptions, manifesting themselves in the employees' behaviour. A strong culture has shared values among the organisation, where there is no difference between the employees' goals and the organisation goals (Robbins, 1996).

Moreover, the term "organisational culture" can be related to creating a culture of purpose, where the purpose of the company is the sum of shared values among the employees, and everyone has their crucial role in the organisation. Such organisational culture does not represent an easy task, it is the job of both managers and leaders to establish this culture based on relationships and mutual trust. Therefore, Martins (1987) developed an ideal model based on the importance of leadership and the interaction between the organisational sub-systems, the external environment, the internal systems and the dimensions of culture. E.C. Martins model was a comprehensive model that encompass all aspects of the organisation, allowing us to identify the determinants influencing innovation.

**Figure 2** Influence of organisational culture on creativity and innovation



**Figure 3:** "Influence of organisational culture on creativity and innovation" (Martins & Terblanche, 2003).

Organisational culture affects organisations in every aspect, thereby critical to its success, only the companies able to absorb innovation into their culture and management processes will maintain a sustainable competitive advantage (Tushman and O'Reilly, 1997). The organisational culture affects how creative ideas are encouraged, supported and implemented. Therefore, in order to support innovation

practice we have to create a culture where creativity is encouraged. However, we have to take into account that organisational culture can either stimulate or hinder innovation (Tushman and O'Reilly, 1997).

In order to explain all the cultural values and norms that describe an organisational culture that has an influence over innovation, we will try to understand the integrated model (figure 2) by analysing its five determinants.

#### *Strategy:*

The origin of innovation comes from a shared vision and mission focused on time (Covey, 1993), thereby a customer-market oriented strategy has to be implemented in order to insure a creative and innovative organisation. The strategy of the company has to be completely understood by the employees who shared the same vision. In addition, the employees must know the gap between the current situation and the future mission. The management team must establish strategic goals, but at the same time they must allow the employees a certain level of freedom to achieve those goals. Therefore, we can define successful innovation as chaos with guidelines (Judge et al, 1997). Finally, managers should focus both personal and organisational goals on quality rather than effectiveness in order to increase innovation in the organisation (Hall, 1972).

#### *Structure:*

There are certain factors in an organisation's structure that stimulate the ability to innovate, such as having a flat structure, autonomy and work teams (CIMA Study text, 1996). On the contrary, characteristics such as standardisation and specialisation will inhibit innovative practice. Additionally, we must accentuate the importance of having values such as freedom, flexibility and cooperative teamwork.

Job rotation represents a good way to increase flexibility in the organisation, adding new skills to the employees, increasing employees' job satisfaction and reducing their levels of stress. Freedom, on the other hand, represents the empowerment of the employees and their freedom on the decision making processes. It means that the employees can achieve their objectives in a creative way of their choice.

The job enrichment technique will increase the control that the employees have over how to perform their tasks under respective terms. Therefore, the management them must empower the employees instead of control them (Judge et al, 1997, p. 76). The levels of empowerment are positively related to the levels of innovation in an organisation (Arad et al, 1997, p.4).

Furthermore, the speed of the decision making influence the innovation, knowing that a high speed on the decision making will enhance employees' problem solving skills. The structure of teams also has an effect on innovation; on one hand, well-established teams that have diverse and individual talents complementing each other can promote innovation, and on the other hand, cross-functional teams can also improve innovation by allowing the exchange of information and the transfer of knowledge between departments.

*Support mechanisms:*

These mechanisms such as rewards and recognition represent the base to support an innovative environment in an organisation. In addition, there has to be the right availability of resources and information technology to support such environment. It is proved that the behaviour that is reward in an organisation will become the general, subconscious and dominant way of behaving (Arad et al, 1997). Therefore, managers must reward a creative behaviour where risk taking is encouraged.

Nowadays, in many companies it is said that risk-taking is encouraged, however only fault-free work is rewarded. The organisation must deal with the way that employees' mistakes are handled. Intrinsic rewards such as improving the opportunities for the employees' personal and professional growth may support an innovative environment (Arad et al, 1997). Such professional growth can be attained by offering them a professional training of their choice, which will enhance both job satisfaction and innovation in the organisation.

Furthermore, information technologies represent an important support mechanism to insure successful innovation (Shattow, 1996). The use of internet and intranet communication systems allows the employees to communicate between each other, express their ideas and share their knowledge; thereby it improves the chances for innovation in the organisation (Bresnahan, 1997).

*Behaviour that encourages innovation:*

There are a number of specific behavioural forms that encourage both creativity and innovation. First of all, as we said before, there has to be a certain tolerance of mistakes in the organisation to promote an innovative environment. Successful innovation in organisations can be achieved if such mistakes are not punished but taken into account for a learning opportunity (Tushman and O'Reilly, 1997). Employees' ideas must be fairly evaluated, and a continuous learning environment among the organisation has to be set up in order to encourage innovation (Amabile, 1995; Arad et al, 1997).

In addition, managers have to create a sustainable learning culture, where being inquisitive represents a core value and the knowledge and skills among the employees is up to date. Behaviour such as taking risk and experimenting has a positive influence on innovation. Therefore, organisations must avoid having too many management controls that inhibit employees from taking risks (Judge et al, 1997). Moreover, managers can build a culture of competitiveness which encourages the debate of ideas in order to increase the flow of information leading to improve their problem solving skills. This may cause an environment of conflict, thereby it has to be controlled by the manager to insure its constructive purpose.

Nowadays, the world is evolving continuously and it forces organisations to adapt their processes in a continuous way. Therefore, managers must create a culture where change is encouraged and perceived as normal practice. Change is a positive term, which allows finding new ways of working and trying to find the optimum way to perform. A culture that has a positive attitude towards change will improve the innovation in its organisation (Tushman and O'Reilly, 1997). Finally, managers should be very emphatic in order to understand different points of views and always having a diplomatic decision, thereby they have to be trained to manage a constructive confrontation among the employees in the organisation.

*Communication:*

In order to promote innovation in an organisation there has to be an open communication between the employees. The employees must be able to trust their colleagues and openly communicate between each other, in order to perform innovatively. Managers have to communicate and get to know their subordinates



personally, thereby they will create a culture where disagreement between colleagues is totally acceptable and could lead to new dilemmas ending into new ideas. Communication represents the main activity of a manager, thereby it is crucial to the manager to establish a good relationship among the employees.

In conclusion, the five determinants that stimulate an innovative environment interdepend on each other and represent a very complex analysis where it remains a model that has to be adapted to the organisation. These determinants positively influence innovation and support a creative environment where employees have higher job satisfaction levels. Therefore, we can conclude from this model that those characteristics of an organisational culture supporting innovative practices also increases employees' job satisfaction.

## **5 Case study: The relationship between Job satisfaction and the innovative behaviour of nursing employees.**

In the following discussion, we will first examine the relationship between job satisfaction and the innovative behaviour of nursing employees based on the study of Matthew J. Xerri. His study is based on a quantitative approach, where he applied 210 surveys from 3 different hospitals in Australia (Xerri, 2014). Furthermore, we will discuss the influence of the leadership style among the nurses in the Malaysian health care industry (Abd Rahmman et al, 2013).

First of all, the research under discussion may lead to increase the efficiency and effectiveness of the employees in the health care industry, which could lead to improve patient outcomes. Nowadays, there exist numerous issues among the Australian nursing workforce, including job satisfaction and commitment to the organisation (Bartram et al., 2004). Nurses' job is not an easy task to carry; it can lead to job stress and high levels of absenteeism. In addition, we know that the turnover of nurses that are working in both government and private sector are very high (Charka, 2008).

We know that the environment in the health care industry is in continuous change, with the technological improvements and new techniques; by consequence, it fosters innovative behaviour on nurses. Therefore, managers must develop an environment which encourages innovative behaviour on nurses. Additionally, leaders have a crucial role play, where they have to communicate the vision and values of the organisation in order to motivate the employees (Borokowski et al., 2011). Consequently, by fostering innovative behaviour the nurses' performance will increase and the organisation's goal will be achieved. It remains very important for managers to support a good relationship between the employees at different levels of the company to foster the exchange of knowledge, so they can effectively complete their jobs.

In the research under discussion the hypothesis that nursing employees' job satisfaction is positively correlated to their innovative behaviour is based on several past studies. For instance, the statement that employees who are more satisfied with their jobs will put this extra effort to go beyond his assigned task and thereby will be more innovative in his workplace.

In order to analyse the following information, we must consider that such analyse is in the individual level, from the nurses' perspective. Knowing that the nurses are consciously filling the survey, we must take in consideration that it remains a subjective analysis. This study is a one-dimensional construct that analyses three dimensions of the innovative behaviour (problem recognition and idea development, promotion of solution, and realisation of the solution) (Carmeli and Spreitzer, 2009).

The surveys where based on a cross-sectional self-report questionnaires between 210 nurses from 3 different hospitals. Among the 210 nurses, 89% females and 11% males, having different positions and ages. On one hand, Job satisfaction was measured in a scale from 1 to 6 with statements such as "I feel that my job is satisfying" and, on the other hand, innovative behaviour was measured with statements such as "I search out new working methods, techniques, or instruments" and "I generate original solutions for organisational problems" (Xerri, 2014).

In order to analyse the results, a Structural Equation Modelling (SEM) techniques was used with the software SPSS 20.0. Thereby, they calculate the inter-correlations between the different variables with their standard deviation.

The results where the following:

Table 3. Means, standard deviations and correlations of the organisational factors tested.

Variable	Mean	SD	Innovative behaviour	Job satisfaction	Procedural justice	Interactional justice	Time in company
Innovative behaviour	4.15	1.42	(0.91)				
Job satisfaction	4.95	0.72	0.169*	(0.77)			
Procedural justice	4.05	0.95	0.152*	0.064	(0.92)		
Interactional justice	4.66	0.87	0.019	0.174*	0.218**	(0.90)	
Time in company	3.37	1.38	0.029	0.065	0.037	-0.049	—
Education level	3.35	1.24	0.012	-0.056	-0.037	0.020	-0.056

$N = 210$ . Numbers in parentheses on the diagonal are the Cronbach's Alpha in coefficients of the composite scales.

\*Correlation is significant at the 0.05 level (two-tailed).

\*\*Correlation is significant at the 0.01 level (two-tailed).

As the results explain, the correlation between job satisfaction and innovative behaviour is 0.169, thereby superior to 0.05. Therefore, the hypothesis that job satisfaction among nurses is positively correlated to their innovative behaviour is correct.

Moreover, we can state that the perception of fairness regarding workplace relationship has a great impact on the nurses' job satisfaction. Such findings are also approved by Morrison's studies (Morrison, 2004). Nursing employees do not completely agree that their current workplace environment fosters job satisfaction and innovative behaviour. Therefore, the organisation has to change the relationship between the supervisors and the subordinates, by increasing the autonomy and reducing the control.

Furthermore, the results clearly provide the sufficient information to state that job satisfaction has a positive influence over innovative behaviour. However, we can state that it is in the best interest of the hospitals to change their organisational policies and procedures in order to enhance innovative behaviour. Such procedures have to be perceived as fair between the nursing employees in order to have a positive influence.

There are many gaps in such a complex analysis simply because the outcomes represent the employees' perception and the data is collected from them. The self-reporting method does not allow collecting objective data; thereby the sum up with an external analysis should represent a more accurate analysis (Spector, 1994).

Knowing that job satisfaction has a positive influence on nursing employees' innovative behaviour, we will continue to analyse how does the different leadership styles influence job satisfaction among nurses (Abd Rahmman et al, 2013). The leadership style is an essential factor to consider among every industry, as we already analyse it has direct influence over innovation in every organisation. It constitutes a crucial part of the organisational culture of a company, where it enables to enhance employees' commitment toward the organisation's goals. Both transformational and transactional leadership are main factors influencing employees' job satisfaction (Powell et al., 2008).

However, we must take into consideration that every organisation is different thereby different situations may need different leadership styles (Rad & Yarmohammadian, 2006). Therefore, leaders should learn and apply different skills accordingly to the

context. The research under discussion might be able to lead the nursing employees to be more innovative and improve the quality services given to the patients (Lim, 2007). There exist different kinds of motivations and rewards such as extrinsic or intrinsic corresponding to both transformational and transactional leadership style. Moreover, Vigoda and Cohen (2003) have identified that the relationship between job satisfaction and leadership style may improve the relationship between the employers and the employees. Such relationship has to be based upon trust where both parties share the same values and beliefs.

The following research under discussion is based upon 1150 questionnaires from different nursing employees in Malaysia. However, previous research such as the one from Lorber and Skela Savic (2012) already shows the positive correlation between nurse job satisfaction and the leadership style applied by the managers.

Table 3. Mean results

	Mean	Standard Deviation
Transformational Leadership	3.4516	0.78238
Transactional Leadership	2.9936	0.89755

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As we can see from above, transformational leadership have a higher mean, meaning that is more appreciated by nurses in Malaysia. The reasons of these results are to its ability to transform follower's emotions, values and beliefs. Transformational leadership is characterised by its charismatic and affective elements that inspire the followers to work towards its leader's mission. Such leaders take into consideration the values of its employees and work towards long term goal. Instead of being task oriented, they are relationship oriented. A transformational leader has strong ideals and beliefs that support the employees' ideas in order to perform better (Northouse, 2009).

Furthermore, this study shows that transformational leadership is more effective when the organisation is going through a face of dynamic change, which requires continuous learning and progressive adaptation to the environment (Bucic et al., 2010). Therefore, it is very important for nursing employees to work in an environment where nurses are not under high levels of stress because they are continuously dealing with people's emotions.

We can conclude from this case study that nurses among others do not normally have high levels of job satisfaction. Therefore, organisation must try to build an environment that increases their job satisfaction so they provide higher quality services by having a more innovative behaviour. There are specific attitudes and determinants to increase job satisfaction and thereby innovative behaviour, such as intrinsic motivators and a transformational leadership. It is the organisation's role to implement these actions and make big changes among their organisational culture.

## **6 Sony vs. Apple, - iPod launching, a case study of leadership and innovation.**

The following discussion is based on the research made by Camelia Cojocaru and Silviu Cojocaru (2014) on the influence of an organisation's culture over innovative behaviour. For over 20 years Sony's Walkman was the market leader in the music industry, putting Sony as a top innovative organisation. Then, in 2001, the company Apple Inc. launched the iPod, a new portable music player which included components manufactured by Sony group. It was in 2004, when the iPod overtook the market, thereby becoming the market leader and changing the entire music industry.

At that moment Sony had all the available technical resources to launch such a new and innovative generation of portable player, but instead Apple took that opportunity and is the market leader since. In this analysis, we will explain how innovation can appear in every organisation without necessarily having all the technical prerequisites to do it. In the following case, Innovation is the result of cooperation between individuals from different divisions in the same organisation.

On one hand, Sony is a multinational company based in Japan, ranked 102th on the 2014 list of Fortune Global 500. Sony is the parent company of the Sony Group, which represents the third largest television manufacturer in the world. It was founded in 1946 by Masaru Ibuka in Tokyo, having 5 different divisions which quickly expanded all over the world. For many years Sony was the market leader by introducing worldwide hits such as the TR-63 Radio and the Walkman (1979).

On the other hand, Apple Inc is an American multinational corporation, best known for its Mac line of computers and his iPhone smartphone. Their services go beyond consumer electronics by having its online services such as the world's largest music retailer the iTunes Store and their iCloud services. Founded in 1976 by Steve Jobs, Steve Wozniak and Ronald Wayne, in less than 40 years it ranked 15<sup>th</sup> in the Top Forbes 500 companies. Steve Jobs was worldwide known for its leadership skills and innovative behaviour.

Moreover, we will discuss how Apple Inc. overtook Sony's market leader place as a result of organisational cooperation. The term "organisational cooperation" can be related to the organisational culture previously discussed in chapter 3. The reason of Sony's decline can be explained from many perspectives; however it is clear that Sony failed to innovate the Walkman portable music player, thereby letting Apple to expand over the market.

Organisational cooperation is defined when the employees from different parts of the same organisation work together towards the same goals (Hansen, 2009). Therefore, the employees from different divisions share their knowledge by discussing their problems, helping each other as they have the same values and mission. It is the job of their leader to set up an environment where their followers (employees) share the same values and mission of the organisation, thereby working towards the same goals. In addition, Morten Hansen (2009) clearly stated: "Bad cooperation is worse than lack of cooperation", giving the reason that the decline of Sony might be due to bad cooperation between the different units of the organisation.

In the years 2000, Sony wanted to launch a new project called "Connect" to face the iPod. The issue was that they lacked a culture of cooperation. During so many years the different units of Sony group were encouraged to compete between each other in order to increase their productivity. Every division was developing a different product in order to compete between each other. Therefore, we can suppose that they had different goals and objectives between them, without having any inter-dependence. Finally, the project "Connect" was a complete failure and was withdrawn from the market in 2007.

The lack of cooperation between the different units or divisions in a same organisation is translated by a loss in the turnover of the company. They could be working on the same thing twice without knowing and wasting resources instead of cooperating between them and sharing their knowledge. Such environment is due to the organisational culture that the managers maintain over the past years. A competitive environment could be very useful to increase productivity, but it has to be controlled in order to avoid such outcomes.



We have to note, that the lack of cooperation between the units was not the only reason for such decline. Apple had great design capabilities, offering high quality and fashionable products. In addition, they were involved in electronics and music industry at the same time; thereby having great software knowledge. Nevertheless, we cannot know if the results would be any different if Sony had a culture of cooperation at the time.

In conclusion, Apple Inc. proved that his transformational leadership style allowed them to share knowledge between the different units of the company. Therefore, every department was working together in order to innovate and create new products, such as the iPod. Steve Jobs, current CEO at the time, was able to create a culture of purpose where every employee was sharing the same values and mission of the company. He is not known for being nice, but he knew that an innovation was simply the fusion between two different concepts, or ideas.

Either Apple or Sony invented something totally new, as we know the portable recorders already existed. What they really did was to put the concept of a portable device such as the portable recorders and a music player, together. Finally, this research helped us to understand how the culture of an organisation is affecting a plethora of outcomes such as performance, productivity, job satisfaction and innovative behaviour.

## **7 Conclusions**

The purpose of this study was to establish a relationship between job satisfaction and innovation in the organisations. Therefore, we looked into the factors influencing both job satisfaction and innovative behaviour, so we could present an optimum way to increase innovative behaviour through job satisfaction. Further on, we applied such techniques such as establishing an organisational culture that supports innovative behaviour into the health care industry. In addition, we analysed a case study concerning two technological companies, and how innovation behaviour is crucial to the survival in the market.

First of all, we can conclude that leadership is one of the most important factors influencing both job satisfaction and innovation. The type of leadership involves the ways in which employees are motivated and rewarded. There are certain motivators such as intrinsic motivators that increase employees' job satisfaction and create an environment that supports innovative behaviour. Intrinsic motivators such as "autonomy", "flexibility" and "critical feedback" are based on self-desire (Ryan & Deci, 2000, p.68).

Transformational leaders encourage their employees to work towards the same goals of the company by inspiring them. They influence their follower by intellectual stimulation, thereby changing their values and beliefs. Techniques such as Job enrichment or job rotation are applied by these leaders in order to increase employees' autonomy and flexibility. Therefore, the employees are acquiring more skills and sharing knowledge between colleagues in other departments of the organisation. This situation is very profitably during complex times where innovation is required in order to maintain a sustainable competitive advantage.

On the contrary, transactional leaders applying extrinsic motivators such as a steady pay or securing benefits are no longer a guaranteed for a good job performance. Transactional leadership does not provide job satisfaction (Bass, 1999). Therefore this leadership style does not contribute to build an organisational culture that support innovative behaviour.

Terms such as "organisational culture" or "culture of purpose" make reference to the environment that organisation had established over the years. The ways in how the

operate and deals with problems are only few factors of an organisation's culture. An organisational culture can be divided in five different determinants (strategy, structure, support mechanisms, behaviour encouraging innovation and open communication) of "organisational culture" that support both creativity and innovation (Martins & Terblanche, 2003, p.64-74).

In order to increase innovative behaviour by increasing job satisfaction we have to establish an organisational culture that supports both outcomes. Therefore, we must take in consideration each determinant. However every company and employee is different in different countries and industries. Thereby, there exist more determinants to take in consideration in order to establish the optimum organisational culture that will enhance innovative behaviour. There is not an international standard for management procedures.

Nevertheless, it is crucial to take in consideration that job satisfaction can lead to complacency. Therefore, we examine the term job satisfaction with the related terms such as employees' engagement and organizational commitment. Employees must be in an environment where they feel part of something bigger, and not to work day by day only for the salary.

In the research under discussion, we realized than an innovative can surge from every company not necessarily having all the technical resources. We are in a turbulent economy, and is with the implementation of bright ideas that we can improvement existent products/services and create new ones. Companies such as Apple, Airbnb, Amazon and Uber demonstrate how fast markets are changing and how companies must adapt and innovate in order to survive.

Finally, we can state that job satisfaction and employees engagement towards the organisation have a positive influence on how the company innovates. Therefore is essential for companies to take these facts in consideration as we are living now in an environment which evolves more quickly than ever before. It is the job of managers to boost innovative behaviour. On one hand, they must understand the external factors such as the culture of the country and the relationship between their suppliers and buyers. On the other hand, they have to master their internal factors in order to influence and support an innovative behaviour.

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